

September 27, 2005

Dear Representative Rocca and Committee members:

My name is Mike Lynch, and I'm the Broker of Lake Michigan Realty in New Buffalo. As my wife stated in her remarks, there are many agencies desiring to shed light on the high cost of home-ownership in our country. They are troubled by the rushing of legislative mandates of restriction on the real estate market, actually declared by some state legislators as "emergency" legislation that will "preserve the public peace, health and safety." I hope our Michigan Legislature will not succumb to the same panic attacks to save our citizens from themselves.

I wonder, where are the harmed consumers who have precipitated this proposed legislation? I've not read about them, and being very Internet savvy, I constantly search for breaking news about real estate related issues. But, I suppose if one goes searching for a victim, it's possible to achieve one's goal.

As my wife introduced my comments to you, I'd like to admit into the record some pertinent remarks and suggestions that some very learned people have attempted to impart to legislators on the topic of minimum service mandates.

One such group is The American Enterprise Institute-Brookings Joint Center for Regulatory Studies. Their Center's primary purpose is to "hold lawmakers and regulators more accountable by providing thoughtful, objective analysis of relevant laws and regulations." Of the residential real estate brokerage industry, they find that "the traditional model for brokerage services may be dated, and could be improved substantially with some public policy interventions that spur innovation." They go on to state that, "We believe that there are numerous barriers to entry that are slowing the emergence of new models for serving consumers. Some of these barriers are likely to be anti-competitive. Examples include discrimination against new online brokers who wish to join multiple listing services; and state legislation that would require minimum service requirements, effectively preventing 'a la carte' offerings." They conclude, "judicious public policy interventions could have a marked impact on lowering costs for home buyers and sellers."

As you may know, the Department of Justice is suing the NATIONAL ASSOCIATION of REALTORS. The Department makes very strong accusations of intentional anti-trust violations, such as the NAR's worry that competitors were "scooping up market share just below the radar." Although

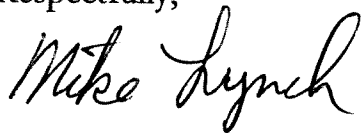
the suit addresses violations by the umbrella organization, it mentions that the NAR establishes and enforces policies for its over one million individual member brokers and agents. One of the requests for relief that the Department seeks is that the defendant be restrained and enjoined from requiring or permitting its member boards or the MLSs with which they are affiliated to adopt rules that restrict --- or condition MLS access or MLS participation rights on --- the method by which a broker interacts with his or her customers, competitor brokers, or other persons or entities. They further state, in a press release that "NAR policy obstructs Internet-based real estate brokers from offering better services and lower costs to consumers."

The American Antitrust Institute agrees, stating in its September 9th Press Release regarding the DOJ suit against the NAR, "AAI compliments the Department's continued efforts and leadership in these important initiatives aimed at bringing the benefits of enhanced competition to families that buy or sell their homes." One statistic they offer is that, "Simple calculations show that if brokerage commissions had grown only by the rate of inflation since 1997, a typical homeowner could have saved a minimum of \$2,500 in 2004."

The AAI has scheduled an invitational symposium on November 8 in Washington, DC for presentation of this research and discussion of these issues. The DOJ and FTC are also hosting a Workshop on these issues on October 25 in Washington.

I hope that your Committee, Mr. Rocca, will exercise good leadership and oppose these bills without the need of further study. There are far simpler solutions to the need for proper disclosure and care to consumers. There is simply no rational justification for thwarting competition across the whole real estate industry in Michigan.

Respectfully,

A handwritten signature in cursive script that reads "Mike Lynch".

Mike Lynch, Broker
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